# NEW YORK STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE FISCAL MANAGEMENT TRAINING

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# SESSION 3 MANAGING PROGRAM EXPENDITURES

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#### Learning Objectives

- Understand some common compliance challenges in financial management of grants
- Learn tips and best practices to help avoid these problems
- Understand some fundamental directives and practices of federal grants management
- Learn tips and best practices to do these well
- Rate your organization regarding these fundamental directives and practices

# COMMON GRANTS MANAGEMENT CHALLENGES AND AUDIT FINDINGS (AND HOW TO AVOID THEM)

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### COMMON CHALLENGE # 1: TIME AND EFFORT REPORTING

#### AKA:

TIME AND EFFORT
TIME AND ATTENDANCE
SALARIES AND WAGES
PERSONNEL EXPENSE
LABOR COSTS
LABOR DISTRIBUTION

#### Tips

- See 2 CFR 200.430(a) and (i)
- Account for all hours worked each day
- Don't sign a timesheet or certification before the period covered has ended
- All signatories initial all changes
- General ledger must tie to percentage of time worked on timesheet for the pay period
   X salary for the pay period
- Timesheets make the best case that costs are allowable
- Don't have each staff member allocate leave to funding sources-this should be an accounting function
- Use formulas to eliminate arithmetic errors

### COMMON CHALLENGE # 2: COST ALLOCATION

Costs must be allocated in accordance with relative benefit received: From 2 CFR 200.403(a):

Be necessary and reasonable for the performance of the Federal award and be <u>allocable</u> thereto under these principles.

#### **Cost Allocation**

#### §200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective <u>if the</u> goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

#### **Cost Allocation**

#### **Cost Driver Examples:**

- 1. Percentage of time worked on a particular grant, program, or activity
- 2. Number of individuals being supervised and how much time each of them are on duty
- 3. Time involved in supervising staff members-when allocating supervisory time, the amount of time required to supervise individuals who are in various roles (e.g. an employee and a member may work the same amount of time, but may require different time commitments for supervision. Therefore, an allocation of supervisory time may not be weighted the same for each type of employee).
- 4. Number of individuals utilizing building space or a particular service (such as phone/internet) and the extent to which each of them uses it.
- 5. Square footage of a particular area.
- 6. Any variable that allows for a determination of the relative benefit received by a grant, program, or activity.

#### Cost Allocation

Considerations in determining an appropriate basis for allocating costs include:

- 1. The relative benefit received by the grant, program or activity to which the cost is being allocated. Appropriate care should be given in selecting the method being considered, ensuring it yields a reasonable estimate of the benefit received by each grant, project, or activity.
- 2. The materiality of the cost
- 3. The amount of time and cost to perform the allocation

#### Cost Allocation: Tips and Best Practices

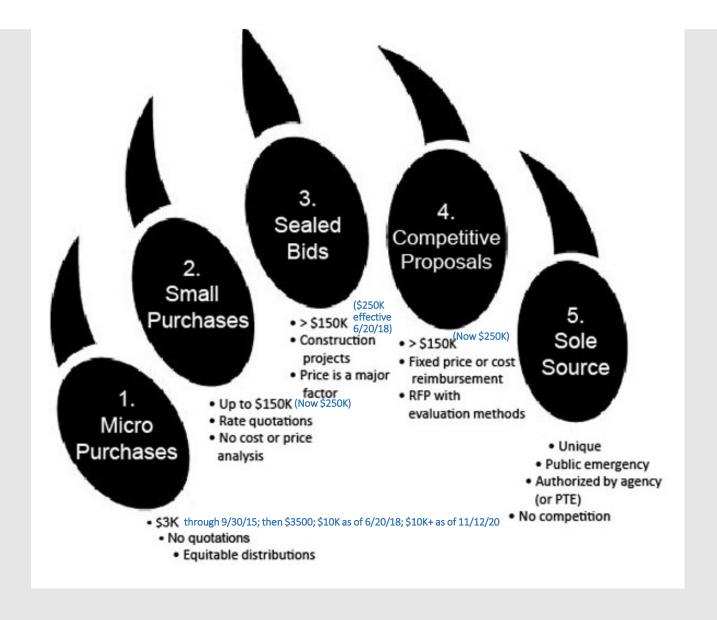
- The cost allocation plan should be a statement of methodology for allocation of various types of cost, as opposed to containing specific percentages or amounts
- Select appropriate cost drivers
- The plan must provide for updating of information related to cost drivers as it changes, so that costs may always be allocated appropriately
- Train staff on the plan
- Be willing to go spend a lot of thought energy on creating the plan-it will save you from problems later
- Use automation where possible
- Have a system and follow it consistently

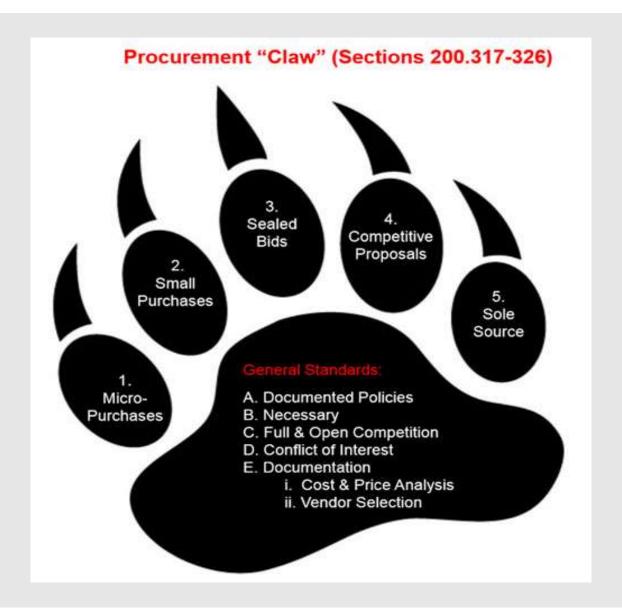
### COMMON CHALLENGE # 3 PROCUREMENT

#### 2 CFR 200 Subpart D — Post Federal Award Requirements

#### **PROCUREMENT STANDARDS**

- §200.317 Procurements by states.
- §200.318 General procurement standards.
- §200.319 Competition.
- §200.320 Methods of procurement to be followed.
- §200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.
- §200.322 Domestic preferences for procurements
- §200.323 Procurement of recovered materials.
- §200.324 Contract cost and price.
- §200.325 Federal awarding agency or pass-through entity review.
- §200.326 Bonding requirements.
- §200.327 (and Appendix II) Contract provisions.





#### Procurement: Tips and Best Practices

- Create a written procedure, ensuring the requirements of 2 CFR 200.317-327 are incorporated
- Adopt the federal thresholds where possible rather than more stringent amounts
- Understand and train staff on prior approval requirements (2 CFR 200.308 and 200.407)
- Perform self-monitoring of your procurements
- Train staff on the procurement system

#### Procurement: Tips and Best Practices

- Key requirements your procurement policy should address:
  - The five methods of procurement (2 CFR 200.320)
    - Micro-purchase (up to \$10,000) (or more in certain cases)
    - Small Purchase (\$10K-\$250K)
    - Sealed Bid (can use when price is only factor)
    - Proposals (over \$250K)
    - Noncompetitive (usually when there is a sole source or emergency)
  - Conflicts of Interest (2 CFR 200.318)
  - Historically Underutilized Businesses (2 CFR 200.321)
  - Domestic Preferences (2 CFR 200.322)
  - Required Contract Provisions (2 CFR 200.327 and Appendix II)

# COMMON CHALLENGE # 4 ADEQUATE DOCUMENTATION

Your documentation should be able to demonstrate that all other criteria for cost allowability were met.

#### Adequate Documentation: Tips and Best Practices

- It's better to keep too much rather than too little
- Your documents should make the case for cost allowability, including reasonableness, necessity, allocability, consistent treatment as direct or indirect, etc.
- Use checklists and written instructions.
- Create a written procedure for determining cost allowability as required by (2 CFR 200.302(b)(7), and include what documentation is required for each type of cost
- Read the Cost Principles at 2 CFR 200, Subpart E, and ensure your documentation shows that each costs meets the overall standards for allowability as well as the requirements specific to that cost type

# COMMON CHALLENGE # 5 PRIOR APPROVAL REQUIREMENTS

#### Prior Approvals: Tips and Best Practices

- Train all appropriate staff on these requirements
- Ensure appropriate staff know what is in the approved budget
- Create a form listing the required prior approvals for staff to use when one of these areas comes up
- Read the detail of 2 CFR 200.308
- Read the detail of the "Selected Items of Cost" section of the Cost Principles: 2 CFR 200.420-476
- Maintain documentation of any prior approvals received

#### COMMON CHALLENGE # 6

## CONSISTENT TREATMENT OF DIRECT AND INDIRECT COSTS

#### Consistent Treatment: Tips and Best Practices

- Have a written cost allocation plan or cost policy statement that describes how each type of cost (such as salaries and wages, supplies, travel, rental costs) will be treated consistently as direct or indirect when incurred for similar purposes in like circumstances.
- Ensure that costs incurred in similar purposes in like circumstances are not sometimes charged directly and sometimes indirectly.

#### COMMON CHALLENGE # 7

## UNAWARENESS OF REQUIREMENTS

### Unawareness of Requirements: Tips and Best Practices

- Read the following
  - Notice of Award
  - Federal program statute
  - Federal program-specific regulations
  - 2 CFR 200
- Consume in small pieces
- Ask questions about areas you don't understand

#### **COMMON CHALLENGE #8**

# TAKING PROMPT ACTION WHEN DEFICIENCIES BECOME KNOWN

### Taking Prompt Action when Deficiencies become Known: Tips and Best Practices

- Leadership must set the standard of aggressive action toward noncompliance
- Don't let it mushroom
- Do something. Get started on the fix, and momentum will be built toward a full solution
- Communicate with your leadership and funder
- Establish a compliance committee to discuss and lead resolution in areas of noncompliance

#### COMMON CHALLENGE # 9

## INADEQUATE POLICIES AND PROCEDURES

Understand the requirements and develop policies and procedures in key areas:

- Procurement 200.317-327
- Matching Requirements 200.306
- Beneficiary Eligibility 200.405
- Grant Financial Reporting 200.302, 200.328-330
- Data Collection and Reporting 200.301, 200.336
- Property Management 200.345, 200.310-316
- Program Income 200.307
- Time and Effort Tracking and Reporting 200.430
- Subrecipient Monitoring 200.329,200.3352
- Subrecipient/Contractor Determinations 200.331, 200.207

Understand the requirements and develop policies and procedures in key areas:

- Subaward Issuance 200.332
- Contract Issuance 200.323, 200.327, Appendix II
- Ensuring Cost Allowability Subpart E
- Cost Allocation 200.405
- Project/Budget Changes and Prior Approvals 200.308
- Programmatic Compliance 200.329, 200.303
- Financial Management System Adequacy 200.302
- Grants-related Staff Orientation/Training 200.473, 200.303
- Grants Management Policy and Procedures 200.303
- Financial Management Policy and Procedures 200.302, 200.303

Understand the requirements and develop policies and procedures in key areas:

- Grant Drawdowns/Payment Requests 200.305
- Indirect Cost Rate Proposals 200.414, various appendices, 200.1-Indirect cost rate proposal
- Indirect Cost Rate Application/Utilization 200.414, 200.332
- Utilizing Specific Conditions 200.208
- Record Retention 200.334
- Remedies for Noncompliance 200.339
- Protected Personally Identifiable Information 200.1-Personnaly Identifiable Information, Protected Personally Identifiable Information, 200.303
- Data Security 200.336-338, 200.303
- Closeouts 200.1-*Closeout*, 200.344
- Risk Assessments 200.205, 200.332, 200.303

- Get started on the most critical areas that are missing and fill in the gaps over time
- Good policies and procedures are thorough, easy to follow and allow for crossfunctional training

# COMMON CHALLENGE # 10 PROGRAM INCOME

#### Program Income: Tips and Best Practices

- Recognize and allocate shared program income
- Use it all
- Consider revenue and expense
- Profit not allowed
- Ensure no program income is slipping through without being tracked and utilized allowably
- Consider costs not charged to the grant that were needed to generate the income, and reduce gross income by this amount to determine the amount that must be accounted for

#### COMMON CHALLENGE # 11

# CHARGING OUTSIDE OF THE BUDGET PERIOD OR PERIOD OF PERFORMANCE

#### Incurring costs outside of the Budget Period: Tips and Best Practices

- Understand the period of time and budget period within a funding source that each expense benefits
- Set up systems to allocate costs to the period(s) and budget period(s) receiving the benefit
- Pay attention to when cross grant budget periods

#### COMMON CHALLENGE # 12

### COST SHARING AND MATCHING ISSUES

- It's better to err on the side of too much rather than not enough documentation.
- Some documentation determined to be missing can be produced retroactively
- "Retroactive Prior Approvals" are possible, though not ideal
- Research 2 CFR 200.400 and following (Cost Principles) regarding your specific item of cost
- Make sure it's in the budget
- Remember the "prudent person" test
- Have all signatories initial any changes to documentation
- Don't use "White Out"



- Create a good process and then follow it
- A questioned cost does not always mean a disallowed cost
- Block off time to read 2 CFR 200.306 and absorb its nuances
- Create forms/checklists and written procedure to ensure 2 CFR 200.306 compliance
- When allocating costs, ensure that cost driver data for a particular period matches the period covered by an expense
- Perform self-monitoring to verify your processes are getting you to allowable match
- Remain "audit-ready" rather the "cramming" just before the audit
- Use your funder for feedback
- Disclose issues and get help
- Right people in the right roles
- Multiple levels of approvals

- Ensure all contribution forms are fully completed
- Have written policies and procedures to ensure costs get documented and determined appropriately
- Ensure all required signatories sign off on expenses
- Cost share/match becomes such on an award when it utilized (expense), not when it is received (revenue)
- Be conversant with your grant directives:
  - Statute
  - Regulation (both program-specific and 2 CFR 200)
  - Approved Grant Application (including budget)
  - Grant Terms and Conditions (both general and program-specific)



- Ensure the expense is incurred or donated item is used during the period of performance
- Train your staff
- Ensure service sites and subrecipients understand what documentation is needed
- Communicate (internal and external)
- When in doubt, ask for funder guidance
- Ensure in-kind amounts reported are determined based on actual donations, not projected or budgeted
- Focus first on your easy-to-document match, and pursue documenting more challenging types only if you need it

#### **COMMON CHALLENGE # 13**

### INADEQUATE INTERNAL CONTROLS FRAMEWORK

#### Inadequate Internal Controls Framework: Tips and Best Practices

- Remember the Five Components of Internal Control from The Green Book (aka Standards for Internal Control in the Federal Government) and build them into your systems: https://www.gao.gov/greenbook/overview
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring
- Block off time to read the Green Book
- Consider how you could enhance your grants compliance by incorporating more facets of the 5 components/17 principles of internal control into your systems.

#### Common Compliance Challenges

- Time and Effort Reporting
- Cost Allocation
- Procurement
- Adequate Documentation
- Prior Approval Requirements
- Consistent Treatment of Direct and Indirect Costs
- Unawareness of Requirements
- Taking Prompt Action when Deficiencies Become Known
- Inadequate Policies and Procedures
- Program Income
- Charging outside of the Budget Period or Period of Performance
- Cost Sharing and Matching Issues
- Inadequate Internal Controls Framework

#### ACTIVITY

In your small group, each person discuss an area of common challenge/audit finding you'd like to focus on avoiding, and share one or two steps you can do to avoid that particular area. Then solicit feedback for addition ideas from your group members.

# FISCAL/GRANTS MANAGEMENT FUNDAMENTALS

#### Learning Objectives

- Understand some fundamental directives and practices of federal grants management
- Learn tips and best practices to do these well

#### **ACTIVITY**

#### Fiscal/Grants Management Scorecard

We'll go through 25 fiscal/grants management fundamentals.

Give yourself a score between 1 and 5 for each fundamental.

# FUNDAMENTAL #1 READ THE NOTICE OF AWARD AND ITS CITED REQUIREMENTS AND HAVE AN ONGOING LEARNING MINDSET

#### Learn, Learn, Learn

- All award requirements
- Best practices
- Your own organizational requirements, policies, procedures, and practices

#### Requirements

- Program-specific Statutes
- Program-specific regulations
- 2 CFR 200-Uniform Guidance
- National Policy Requirements
- Executive Orders
- Your grant award
- Agency guidance (not binding unless backed up with statute, regulation, or OMB prior approval)

#### FUNDAMENTAL #2

### BUILD AND MAINTAIN STRONG SYSTEMS

#### Needed Systems

- Financial Management
- Personnel/Human Resources
- Property Management
- Procurement
- Travel

#### Systems Include...

- Automation/Software
- Spreadsheets
- Written P&P
- Forms
- Checklists

Systems must address fiscal, program, and administrative requirements.

#### FUNDAMENTAL # 3: REPORT PERSONNEL EXPENSE ACCURATELY

#### AKA:

TIME AND EFFORT
TIME AND ATTENDANCE
SALARIES AND WAGES
PERSONNEL EXPENSE
LABOR COSTS
LABOR DISTRIBUTION

#### Tips

- See 2 CFR 200.430(a) and (i)
- Account for all hours worked each day
- Don't sign a timesheet or certification before the period covered has ended
- All signatories initial all changes
- General ledger must tie to percentage of time worked on timesheet for the pay period
   X salary for the pay period
- Timesheets make the best case that costs are allowable
- Don't have each staff member allocate leave to funding sources-this should be an accounting function
- Use formulas to eliminate arithmetic errors

# FUNDAMENTAL # 4: INCUR ONLY ALLOWABLE COSTS

#### Costs must meet all criteria in 2 CFR 200, Subpart E (Cost Principles)

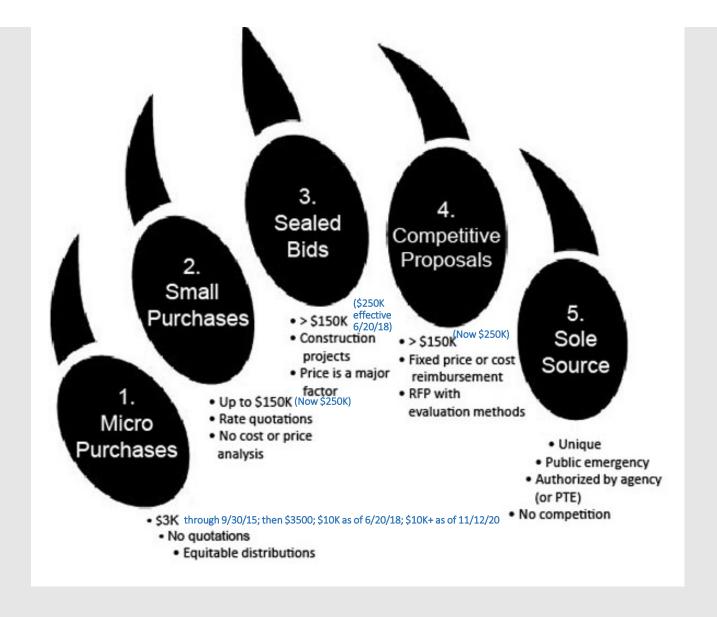
- Costs must meet all 11 criteria for cost allowability in 2 CFR 200, Subpart E (Cost Principles)
- Read it for yourself: Don't assume you know what is compliant or that your organization has always done it compliantly.

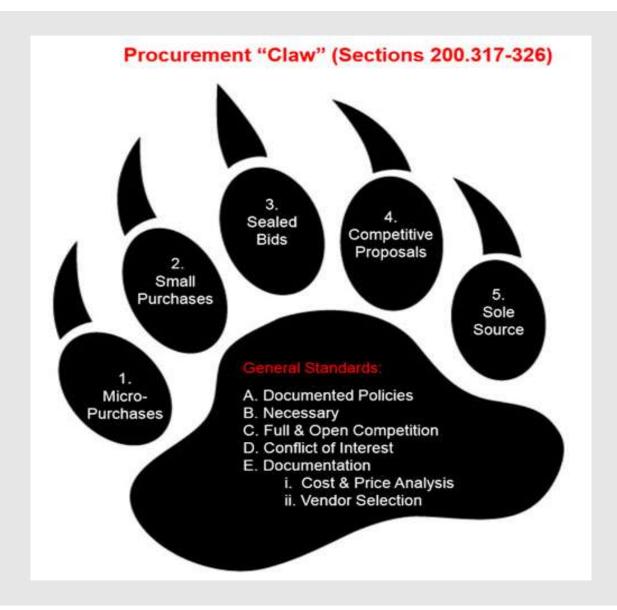
## FUNDAMENTAL # 5 ENSURE COMPLIANT PROCUREMENT

#### 2 CFR 200 Subpart D — Post Federal Award Requirements

#### **PROCUREMENT STANDARDS**

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- §200.318 General procurement standards.
- §200.319 Competition.
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#### Procurement: Tips and Best Practices

- Create a written procedure, ensuring the requirements of 2 CFR 200.317-327 are incorporated
- Adopt the federal thresholds where possible rather than more stringent amounts
- Understand and train staff on prior approval requirements (2 CFR 200.308 and 200.407)
- Perform self-monitoring of your procurements
- Train staff on the procurement system

#### Procurement: Tips and Best Practices

- Key requirements your procurement policy should address:
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    - Noncompetitive (usually when there is a sole source or emergency)
  - Conflicts of Interest (2 CFR 200.318)
  - Historically Underutilized Businesses (2 CFR 200.321)
  - Domestic Preferences (2 CFR 200.322)
  - Required Contract Provisions (2 CFR 200.327 and Appendix II)

# FUNDAMENTAL # 6 CREATE ADEQUATE DOCUMENTATION AND RETAIN IT AS REQUIRED

Your documentation should be able to demonstrate that all other criteria for cost allowability were met.

#### Adequate Documentation: Tips and Best Practices

- It's better to keep too much rather than too little
- Your documents should make the case for cost allowability, including reasonableness, necessity, allocability, consistent treatment as direct or indirect, etc.
- Use checklists and written instructions.
- Create a written procedure for determining cost allowability as required by (2 CFR 200.302(b)(7), and include what documentation is required for each type of cost
- Read the Cost Principles at 2 CFR 200, Subpart E, and ensure your documentation shows that each costs meets the overall standards for allowability as well as the requirements specific to that cost type

#### **Record Retention**

- Most Documentation: 3 years form the submission of the final expenditure report
- Program Income (earned outside of the period of performance, when there is a requirement for how it is used): 3 years from the end of the fiscal year in which it was earned.
- Cost Allocation Plan/Indirect Cost Rate Proposal (submitted for negotiation): 3 years
   from the date of submission
- Cost Allocation Plan/Indirect Cost Rate Proposal (not submitted for negotiation): 3 years from the end of the fiscal year (or other accounting period) for which it was submitted
- The three year period is extended by an open audit, claim, liigation, etc and by request of the federal government or pass-through entity.

# FUNDAMENTAL # 7 ADHERE TO PRIOR APPROVAL REQUIREMENTS

#### Prior Approvals: Tips and Best Practices

- Train all appropriate staff on these requirements
- Ensure appropriate staff know what is in the approved budget
- Create a form listing the required prior approvals for staff to use when one of these areas comes up
- Read the detail of 2 CFR 200.308
- Read the detail of the "Selected Items of Cost" section of the Cost Principles: 2 CFR 200.420-476
- Maintain documentation of any prior approvals received

#### FUNDAMENTAL # 8

# UNDERSTAND COST ALLOCATION AND INDIRECT COSTS

#### Cost Allocation

Considerations in determining an appropriate basis for allocating costs include:

- 1. The relative benefit received by the grant, program or activity to which the cost is being allocated. Appropriate care should be given in selecting the method being considered, ensuring it yields a reasonable estimate of the benefit received by each grant, project, or activity.
- 2. The materiality of the cost
- 3. The amount of time and cost to perform the allocation

### Cost Allocation: Tips and Best Practices

- The cost allocation plan should be a statement of methodology for allocation of various types of cost, as opposed to containing specific percentages or amounts
- Select appropriate cost drivers
- The plan must provide for updating of information related to cost drivers as it changes, so that costs may always be allocated appropriately
- Train staff on the plan
- Be willing to go spend a lot of thought energy on creating the plan-it will save you from problems later
- Use automation where possible
- Have a system and follow it consistently

### **Key Indirect Cost Concepts**

- Indirect Cost Rates
- Types of Rates
- Rate Bases
- 10% De Minimis
- Rate Negotiation
- Exclusions
- Rate Extensions
- Direct Allocation Method
- Consistent Treatment-Ensure that costs incurred in similar purposes in like circumstances are not sometimes charged directly and sometimes indirectly.

# DESIGN AND UTILIZE A COMPLIANT FINANCIAL MANAGEMENT SYSTEM

### Financial Management System-2 CFR 200.302

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §200.450.

- (b) The financial management system of each non-Federal entity must provide for the following (see also §§200.334, 200.335, 200.336, and 200.337):
- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.328 and 200.329. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303.
- (5) Comparison of expenditures with budget amounts for each Federal award.
- (6) Written procedures to implement the requirements of §200.305.
- (7) Written procedures for determining the allowability of costs in accordance with subpart E of this part and the terms and conditions of the Federal award.

# ADHERE TO PROPERTY REQUIREMENTS

## Taking Prompt Action when Deficiencies become Known: Tips and Best Practices

- Types of Property
- Title
- Use
- Disposition
- Property Management System

# DEVELOP ADEQUATE POLICIES AND PROCEDURES

Understand the requirements and develop policies and procedures in key areas:

- Procurement 200.317-327
- Matching Requirements 200.306
- Beneficiary Eligibility 200.405
- Grant Financial Reporting 200.302, 200.328-330
- Data Collection and Reporting 200.301, 200.336
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Understand the requirements and develop policies and procedures in key areas (continued):

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- Risk Assessments 200.205, 200.332, 200.303

- Get started on the most critical areas that are missing and fill in the gaps over time
- Good policies and procedures are thorough, easy to follow and allow for crossfunctional training

# ADHERE TO PROGRAM INCOME REQUIREMENTS

### Program Income: Tips and Best Practices

- Understand default and award-specific utilization requirements
- Recognize and allocate shared program income
- Use it all
- Consider revenue and expense
- Profit not allowed
- Ensure no program income is slipping through without being tracked and utilized allowably
- Consider costs not charged to the grant that were needed to generate the income, and reduce gross income by this amount to determine the amount that must be accounted for

# ADHERE TO PAYMENT REQUIREMENTS

### Federal Payment-2 CFR 200.305

- Methods of Payment
- Types of Payment
- Understand that payment is different than expense reporting
- Interest-bearing account
- Forecast appropriately

# ADHERE TO COST SHARING AND MATCHING REQUIREMENTS

- It's better to err on the side of too much rather than not enough documentation.
- Some documentation determined to be missing can be produced retroactively
- "Retroactive Prior Approvals" are possible, though not ideal
- Research 2 CFR 200.400 and following (Cost Principles) regarding your specific item of cost
- Make sure it's in the budget
- Remember the "prudent person" test
- Have all signatories initial any changes to documentation
- Don't use "White Out"



- Create a good process and then follow it
- A questioned cost does not always mean a disallowed cost
- Block off time to read 2 CFR 200.306 and absorb its nuances
- Create forms/checklists and written procedure to ensure 2 CFR 200.306 compliance
- When allocating costs, ensure that cost driver data for a particular period matches the period covered by an expense
- Perform self-monitoring to verify your processes are getting you to allowable match
- Remain "audit-ready" rather the "cramming" just before the audit
- Use your funder for feedback
- Disclose issues and get help
- Right people in the right roles
- Multiple levels of approvals

- Ensure all contribution forms are fully completed
- Have written policies and procedures to ensure costs get documented and determined appropriately
- Ensure all required signatories sign off on expenses
- Match becomes match when it utilized (expense), not when it is received (revenue)
- Be conversant with your grant directives:
  - Statute
  - Regulation (both program-specific and 2 CFR 200)
  - Approved Grant Application (including budget)
  - Grant Terms and Conditions (both general and program-specific)



- Ensure the expense is incurred or donated item is used during the period of performance
- Train your staff
- Ensure service sites and subrecipients understand what documentation is needed
- Communicate (internal and external)
- When in doubt, ask for funder guidance
- Ensure in-kind amounts reported are determined based on actual donations, not projected or budgeted
- Focus first on your easy-to-document match, and pursue documenting more challenging types only if you need it

# OPERATE FROM A FRAMEWORK OF INTERNAL CONTROLS

## Inadequate Internal Controls Framework: Tips and Best Practices

- Remember the Five Components of Internal Control from The Green Book (aka Standards for Internal Control in the Federal Government) and build them into your systems: https://www.gao.gov/greenbook/overview
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring
- Block off time to read the Green Book
- Consider how you could enhance your grants compliance by incorporating more facets of the 5 components/17 principles of internal control into your systems.

### Common Compliance Challenges

- Time and Effort Reporting
- Cost Allocation
- Procurement
- Adequate Documentation
- Prior Approval Requirements
- Consistent Treatment of Direct and Indirect Costs
- Unawareness of Requirements
- Taking Prompt Action when Deficiencies Become Known
- Inadequate Policies and Procedures
- Program Income
- Charging outside of the Budget Period or Period of Performance
- Cost Sharing and Matching Issues
- Inadequate Internal Controls Framework

## BE PREPARED FOR MONITORING AND AUDITS

### Monitoring/Audit Readiness

- Practice audit readiness
- Organized files
- Ask for site visit checklists
- Read key sections of the Single Audit Compliance Supplement

# UNDERSTAND AND PLAN FOR REQUIRED REPORTING

### Reports

- Programmatic and Financial
- Ongoing, annual, final (closeout)

WRITE DOWN WHAT SUCCESS LOOKS LIKE, AND MANAGE TOWARD THOSE OBJECTIVES (AKA CONTROL OBJECTIVES)

### "Begin with the end in mind."

- Write control objectives across operations, reporting, and compliance
- Assess the risk that these control objectives will not be achieved
- Build control activities, in light or knowledge of risk, that will lead to objective achievement
- Assess how it went. Did we achieve our objectives?

## PRACTICE ONGOING SELF-MONITORING

### Ongoing Self-Monitoring

- Assess if control objectives were achieved
  - If so, great. Keep on keeping on.
  - If not, as "why not?" And then determine action from there.
  - Take prompt action when deficiencies become known.

# WORK TOGETHER TO ACHIEVE GRANT COMPLIANCE AND SUCCESS

#### Teamwork

- Teamwork may seem hard at times
- But the end product is much better than a solo effort
- Ensure all understand their job (requires ongoing training)

# FUNDAMENTAL # 21 ASSESS RISK

# BE VIGILANT REGARDING CHANGES AND ADJUST INTERNAL CONTROLS AS NEEDED

### Changes

- By the funder
- Within your organization (policy changes, reorganizations, shifting of duties)
- Natural disasters
- Health emergencies
- Changes in stakeholder commitments, like level of support, cost sharing/matching revenue

### KNOW COMMON MISSTEPS

### Common Missteps: Where can I learn about these?

- Ask your funder
- Read Single Audits (Federal Audit Clearinghouse)

# FUNDAMENTAL # 24 NEVER STOP IMPROVING

### Continuous Improvement: Tips/Best Practices

- Learn from your mistakes and address them quickly
- Prioritize Improvement areas
- Set a schedule for creation of policies and procedures (i.e. one new policy/procedure per month)
- Borrow policies and procedures from similar organizations/recipients/subrecipients and customize them to make them apply to you

FUNDAMENTAL # 25
CREATE AND FOSTER AN
ENVIRONMENT OF ETHICS,
ACCOUNTABILITY,
EXCELLENCE AND
INTENTIONALITY

### Environment of Ethics, Accountability, Excellence, and Intentionality:

- This must be modeled by executive leadership
- The right people are hired, with appropriate skill, knowledge, and ability to do the job
- Written job descriptions
- Performance appraisals
- Appropriate action taken when there are P&P aren't followed
- Intentional management toward stated control objectives, including award performance goals and compliance.
- Read Single Audits (Federal Audit Clearinghouse)

### **ACTIVITY**

Fiscal/Grants Management Scorecard

Tally your scores.

**Small Group Discussion:** 

How did you do?

What's going well?

Where would you like to improve?

What will you do to improve?



https://www.cfo.gov/financialassistance/

Federal financial assistance resources

#### Resources



#### www.ecfr.gov

Latest version of all federal regulations





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